Farm Service Agency

Fact Sheet February 2001

USDA United States Department of Agriculture

Farm Storage Facility Loan Program

Background

Under the Commodity Credit Corporation (CCC) Charter Act, USDA may make loans to grain producers to build or upgrade farm storage and handling facilities. The Farm Storage Facility Loan Program is administered by USDA's Farm Service Agency (FSA).

Facility Loan Commodities

Commodities covered under this storage program are wheat, rice, soybeans, sunflower seed, canola, rapeseed, safflower, flaxseed, mustard seed, crambe, other oilseeds as determined and announced by CCC, corn, grain sorghum, oats, or barley harvested as whole grain.

Also eligible are corn, grain sorghum, oats, wheat, or barley harvested as other than whole grain.

Eligible Borrowers

An eligible borrower is any person who, as landowner, landlord, operator, producer, tenant, leaseholder, or sharecropper:

- Has a satisfactory credit history, no delinquent Federal debt, and demonstrates an ability to repay debt;
- Is a producer of a facility loan commodity;
- Demonstrates a need for increased storage capacity if applying for a loan for a storage structure;
- Provides proof of crop insurance offered under the Federal Crop Insurance (FCIC) program
- Is in compliance with USDA provisions for highly erodible land and wetlands;
- Demonstrates compliance with any applicable local zoning, land use, and building codes for the applicable farm storage facility structures;
- Provides proof of all peril structural insurance to CCC annually and proof of flood insurance if CCC determines such insurance is necessary to protect the interests of CCC;
- Demonstrates compliance with the National Environmental Policy Act regulations, and;
- Has not been convicted under Federal or State law of a disqualifying controlled substance violation.

Eligible Storage or Handling Equipment

Loans may be made only for the purchase and installation of eligible storage facilities, permanently affixed drying or handling equipment, or remodeling existing facilities.

Eligible facilities include:

- New conventional-type cribs or bins designed and engineered for whole grain storage and having a useful life of at least 10 years;
- New and remanufactured oxygen-limiting and other upright silo-type structures designed for whole grain storage and having a useful life of at least 10 years;
- New structures that are upright, bunker-type, horizontal, or open silo structures designed for whole grain storage or other than whole grain storage and having a useful life of at least 10 years;
- Permanently affixed grain handling equipment and grain drying equipment determined by FSA to be needed and essential to the proper functioning of a grain storage system;
- Existing storage renovated according to FSA regulations without an increase in storage capacity;
- Safety equipment as required by CCC and meeting the Occupational Safety and Health Administration requirements; and
- New flat-type storage structures for which the primary use is to store whole grain.

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Ineligible Structures

Storage structures for commercial purposes are ineligible for loans, as are portable handling or drying equipment and portable or permanent weigh scales.

Unauthorized Producer Actions

Producers who authorize delivery, site preparation or construction actions without an approved loan do so at their own risk and without creating any liability on behalf of CCC.

Term of Loan

The maximum term of the loan is 7 years. No extensions will be granted.

Security for Loan

All loans shall be secured by a promissory note and security agreement. For loans exceeding $50,000 or where a borrower's aggregate outstanding loan balance exceeds $50,000, a lien on the real estate on which the farm storage facility is located will be required in the form of a real estate mortgage, deed of trust, or other security instrument approved by CCC.

Loan Amount

The maximum principal amount of any farm storage facility loan shall be 85 percent of the net cost of the applicant's needed storage or handling equipment not to exceed $100,000 for each borrower signing the note and security agreement.

Downpayment

A minimum downpayment representing the difference between the net cost of the storage facility and the amount of the loan shall be made by the loan applicant to the supplier or contractor before the loan is disbursed.

Interest

Loans shall bear interest at the rate equivalent to the rate of interest charged on U.S. Treasury securities of comparable maturity on the date the loan is approved. The interest rate for each loan will remain in effect for the term of the loan.

Other requirements apply.

Check with USDA Service Centers or county FSA offices for details.

Information is also available on FSA's Home Page at: www.fsa.usda.gov